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Spain

Exporter Guide

Trends in Spain's High-Value Food Sector

1999

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Report Highlights:

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A favorable economic situation, and a decrease in unemployment led to a higher demand of goods and new to the market products. The U.S. food products with greater possibilities in the Spanish market are tree nuts, seafood, sauces and ethnic foods.

Includes PSD changes: No
Includes Trade Matrix: No
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I Market Overview

Spain is a politically stable country and the economic situation is fairly satisfactory. GDP grew about 3.8 percent in 1998, and a further increase of 3.7 percent is expected for 1999 and 2000. In addition, inflation, interest rates, and unemployment have been declining. In 1998, the inflation rate was 1.4 percent, nevertheless an increase to 2.4 percent is expected for 1999. The public deficit, estimated at 1.4 percent, is close to the target required for Spain’s participation in the EU’s monetary union. Fueling the Spanish economy in the last two years were the fiscal and monetary adjustments made, enabling Spain to be among the first group of EU countries accepted in the monetary union, combined with increased consumer and investor confidence, and the steadily declining interest rates. More jobs were created, and the decrease in unemployment drove greater consumption. Nevertheless, at slightly below 15.45 percent during the third quarter of 1999, the official unemployment rate in Spain is still very high. Many analysts dispute this figure, however, as reportedly much part-time and non-contract employment goes unreported. According to economic indicators during the period July 98-June 99 about 612,400 jobs were created. Per capita annual income during the second semester in 1999 is estimated to have been about $15,236.

The rising income couples with a decrease in the unemployed people, is allowing more expenditures on basic as well as on luxury goods. More quality and new niche market products have more possibilities in the Spanish market.

Food Availability

Total food production in 1998 was 8.73 trillion pesetas, this is a 2.3 percent increase in value and 1.12 percent increase in volume. Food production represents 20 percent of total industrial production. Spanish consumers spent 8.6 trillion pesetas, representing an increase of 3.4 percent from 1997. Total grocery sales in 1998 through food distribution chains or groups were 6.57 trillion pesetas, this is an increase of 10.1 percent increase from the previous year. About 26 percent of total food expenses took place through the HRI sector. Food expenditures in this sector grow at a rate of 1 percent every year, and it is expected to grow faster in the near future.

Spain is the second largest consumer of seafood products in the world. Fish consumption during 1998 rose to around 44.2 kilos/per capita, while total consumption amounted to 1.73 million tons. The increase consumption was driven by the continued growth in the economy. While consumer preferences are largely determined by price, fresh fish is generally preferred over frozen products. In terms of seafood products consumed, fresh products consist of 52 percent of total consumption, followed by frozen fish at 20 percent, and canned seafood products at 13 percent.

According to Spain’s customs statistics, Spain's agricultural imports in 1998 amounted to $17.7 billion, representing a 7 percent increase in comparison with imports of $16.5 billion in 1997. Total agricultural exports amounted to about $17.7 billion, representing about 1 percent increase over 1997.

Demographics and Consumption

Spain's population is about 39.8 million people. In the next few years, little increase is expected. In the year 2005, it has been estimated that 20 percent of the population will be over 65 years old, and the normal family will be comprised of at most four people, with two members of the family working. Many homes will be comprised of only one person. Purchasing power will be higher, and the time required to buy and prepare foods will be reduced. Consequently, consumption habits are also expected to change. There is already a clear tendency to higher consumption of prepared foods, diet products, low cholesterol, low fat, and higher fiber content. The so called "Mediterranean diet" will continue to play an important role, being considered healthy due to the diversity of food products.

More congested metropolitan areas, and an increasing number of women in the work force have altered the long traditional habit of daily trips to the market, while the traditional extended mid-afternoon lunch, the principal meal for most Spanish families, is becoming less common. About 69 percent of total Spanish population lives in cities, while the balance live in rural areas. Fitting meal time into an increasingly busy day is becoming a priority. As a result, the market for all types of prepared, processed, and frozen foods is growing. Another important factor is the one-person (13 percent) and two-person (22 percent) household, which tend to spend more on a per-capita basis for food purchases. Consumption patterns are also highly dependent on geographical area. For instance, the highest meat consumption occurs in Castilla Leon (Centre), while the Canary Islands has the lowest meat consumption.

Virtually all of Spain's household have refrigerators, and use of microwave ovens has increased rapidly in the last decade, being present in 65 percent of homes. The availability of microwaves has further enhanced the demand for processed and ready-to-eat products.

- Profile of Spain

Population: 39.8 Million

- Male: 49% - Female: 51%

Age	**Percentage**
0 - 24	30.8 %
25 - 39	24.0 %
40 - 49	12.9 %
50 - 64	15.9 %
65 +	16.4 %

Advantages and Challenges for U.S. Suppliers to the Spanish Market

Advantages	Challenges
There are some niche markets	High promotion costs to introduce new products
High quality of U.S. products	Competition with similar food products produced in other EU countries with no import duties
Consumers demand new products	High shipping costs from the U.S.
Increasing demand for processed foods	Need to promote the wholesomeness of U.S. products
Increase of imports of U.S.seafood and consumer-oriented foods	Reluctancy to products containing genetically modified ingredients
U.S. products have an attractive packaging	U.S. consumer-oriented products have to comply with EU labeling and packaging
Modern food distribution system	Important to find an importer/distributor

II. Exporter Business Tips

Local Business Customs

As a consequence of the growth of the Spanish economy the distribution has become a key factor in supplying the consumer market. Various sales channels to consumers have developed during the last 25 years, ranging from traditional distribution methods, in which wholesalers sell to traditional shops and those shops sell to the public, to more sophisticated methods, characterized by an increased presence of large multinational supermarkets, retail-stores and central purchasing units.

Due to an always increasing concentration of the food retail sector, food distribution chains are more powerful, and are tougher when negotiating with manufacturers and suppliers. Cost financing terms and after-sales services play are important when negotiating with these companies.

European exporters provide generous financing and extensive cooperative advertising and most of their governments support their exporting efforts with promotional activities. Spanish procedures are the same as in other Western European countries, where price is an important factor.

The Spanish market is a series of regional markets, Madrid and Barcelona being the main markets, and from where the majority of agents, distributors, importers and government-controlled entities operate. The key for a U.S. exporter would be to appoint an agent or distributor or to establish a subsidiary. The representative in Spain would be more aware of the different consumption attitudes and preference in each of the 17 different Spanish autonomous regions.

General Consumer Tastes and Preferences

In general Spanish consumers have conservative tastes in line with the cuisine of each geographical area, which is influenced by the weather. The traditional Spanish diet is the so called "Mediterranean Diet" is based on seafood, salads, vegetables, fruits, olive oil and wine. Nevertheless, due to the change of habits, prepared and ready to eat products are increasing every year. Although it might seem a contradiction, consumers demand more natural products, and consumption of organic food products is growing, but the percentage is still low.

Low calory, sugarless, low cholesterol, low sodium products are more popular and demand is also increasing.

In 1998 seafood consumption increased slightly to the detriment of meat products. Total food expenses per capita during 1998 were 156,270 pesetas ($1,046), this is a 2.8 percent increase from the previous year.

Traveling to other countries together with an always growing flow of tourists, increased the demand for new products and the interest for ethnic foods and restaurants.

Spanish consumers are very sensitive about food safety issues, any food problem is widely forecast, and adequate measures are taken immediately.

Food Standards and Regulations

In reference to above subject, see FAIRS Report #SP9045. All food products imported into Spain have to comply with EU regulations.

General Import and Inspection Procedures

See FAIRS Report #SP9045, Section H. Import Procedure.

When doing an international transaction it is important that buyer and seller define their respective responsibilities. Thus eliminating any possibility of misunderstanding and possible dispute. Each term indicates where the responsibilities of the seller end and where those fall into buyer side. In 1990 the International Chamber of Commerce (ICC) published an updated version of the international trade terms, Incoterms, to be in line with the new technologies, as follows:

INCOTERMS 1990

EXW - Ex Works

FCA - Free Carrier
FAS - Free Alongside Ship
FOB - Free on Board

CFR - Cost and Freight
CIF - Cost, Insurance and Freight
CPT - Carriage Paid To...
CIP - Carriage & Insurance Paid To...

DAF - Delivered at Frontier
DES - Delivered ex Ship
DEQ - Delivered Ex Quay
DDU - Delivered Duty Unpaid
DDP - Delivered Duty Paid

If a dispute arises the case can be taken to an arbitration center.

III. Market Structure and Trends

Food Processing

Total food production in 1998 was valued at 8.73 trillion pesetas, 2.3 percent above the previous year. Food production represents 20 percent of total industrial production. Total grocery sales in 1998 through food distribution chains or groups was 6.57 trillion pesetas, up 10.1 percent increase from the previous year.

U.S. exports of consumer oriented products to Spain were $170 million in 1998. With sales of $49.8 and $111, the overwhelming majority of these sales were seafood and treenuts. Fruits and vegetables, both fresh and processed increased in 1998 and are experiencing a further increase in 1999.

Total food sales during 1998 were 8.6 trillion pesetas, of which 6.2 trillion pesetas were for foods to be consumed at home. This represents an increase of about 1.6 percent over purchases in 1997. The highest percentage of purchases were for meat products (25.3%), followed by seafood products (12.6%), bread (7.6%), fresh fruits (7.1%), dairy products (6.8%), fresh vegetables (5.9%), milk (5.3%), bakery products (3.5%), vegetable oils and edible fats (2.8%), canned fruits and vegetables (2.2%) and non-alcoholic beverages including beer (2.6%).

In-home consumption expenses in 1998, represented 72 percent of total Spanish food purchases, while 26 percent was spent in hotels/restaurants, and 2 percent in institutional facilities.

Food Retail

The food retailing and distribution system in Spain is dominated by an always increasing number of supermarkets, hypermarkets and self-service stores. Expansion of hypermarkets has slowed to a fraction of the pace of growth during the previous decade, while supermarkets numbers continue to grow. Meanwhile, the traditional small outlets are rapidly disappearing from the food distribution system. The majority of hypermarkets have been opened by French operators in conjunction with Spanish partners or through subsidiaries. According to Ministry of Agriculture statistics, share of total food sales in 1998, by type of product is as follows: Fresh products: Hypermarkets, 9.3 percent; Supermarkets, 27 percent; Traditional Grocery Stores, 48.9 percent; Other, 14.8 percent. Dry products: Hypermarkets, 25.9 percent; Supermarkets, 50.7 percent; Traditional Grocery Stores, 15.9 percent; Other, 7.6 percent.

Consumers prefer to purchase meat and fresh seafood products in the traditional outlets, specialized in either product. These two products alone account for 37.9 percent of total food purchases. Although supermarkets and hypermarkets have been increasing steadily their share of fresh products sales.

Hotels, Restaurants and Institutions - HRI

The HRI sector in Spain absorbs about 26 percent of the total food consumed in Spain and was about 2.4 trillion pesetas in 1998, of which 2.27 in H&R and 0.16 in institutions. The Spanish HRI sector is very complex and diverse sector, with an estimated 59,000 restaurants, 12,500 hotels, 12,000 cafeterias and 213,000 bars, as well as thousands of institutions (schools, hospitals, prisons, the army), and about 160,000 vending machines. This sector is expected to continue growing at a higher rate than the retail food sector, as there are more people eating out or their homes and more tourists are visiting Spain.

There are several food manufactures and importers that have a line of products specially designed for this sector. Most of the HRI sector’s buyers are small companies who for their daily shopping buy from the local market or supermarket. Institutions, food chains (usually fast food) and vending machines have more organized purchasing channels, thus being more competitive.

Various companies in the food distribution sector have outlets designed specifically to supply the HRI sector; MAKRO being the largest cash & carry group, followed by GRUPO UNIGRO, COOP. COVIRAN, PUNTOCASH, ALIMENTACION PENINSULAR, GRUPO ENACO, SUPERDIPLO, and others. Also, some distribution companies for this sector are located in specific areas where the tourist demand is higher, like MERCATEL and DAVIGEL in the Balearic Islands, and GRUP SEHRS in Costa Brava (North Eastern coast). Food companies supplying the HRI sector are diverse and must be able to serve small customers with different needs. Beverage distributors are very specialized as most of the beverages consumption takes place in bars, cafeterias and restaurants.

Industry Concentration

Just before Spain joined the EU, many multinational companies started buying Spanish food companies as a way to be present in this market. This is still taking place in many sectors, including food distribution. This concentration of industries and distribution groups makes them more powerful and more difficult for the individual exporter to deal with them.

Promotional and Marketing Strategies

New to the market products need to be promoted and consumers have to be educated about the use of such products. It is advisable to be in contact with an importer/distributor who could also do the marketing of the product. TV advertising is very expensive in Spain but there are other media that can carry the message. Most supermarket and hypermarket chains have biweekly flyers that are widely distributed in their respective areas of influence. In-store promotions are also a good way to promote a product.

Tourism

One of the most notable features of Spanish market is the importance of the tourist industry to the national economy. With a resident population of 39.8 million, Spain attracted over 71 million visitors*, of which 47.8 million were tourists* in 1998, achieving a record as one of the world's leaders in tourism, after the United States and in front of France. Another increase in the number of tourists is expected during 1999. During the first 6 month of 1999 the number of tourist increased by 10.5 percent, while the number of visitors increased by 9.4 percent.

The Mediterranean beach areas and the Balearic Islands are the most popular tourist resorts, and the Canary Islands is an especially attractive winter tourist region. Most tourists come from northern Europe, with a very high percentage coming from Germany, the United Kingdom and France, many of whom still prefer to adhere to their usual dining and drinking habits while enjoying their vacations in Spain.

These demographics have resulted in a significant increase in demand for high-value and consumer ready products from restaurants and institutions such as hotels during the summer months. On the other hand, the strong seasonal trend in tourism creates a sharp decline in retail grocery sales towards the end of the summer months, until demand again picks up during the Christmas season.

* Note: Tourist is the person who stays in a country for one or more nights
Visitor is the person who enters a country but doesn't stay overnight

Internet Sales

The main food distribution companies have a web page through which it is possible to shop on-line on some of them. It is a sector that is still at its early stage in Spain.

IV Best High-Value Product Prospects

The main consumer food/edible fishery products which offer outstanding U.S. export opportunities are as follows:

- Walnuts
- Almonds
- Pistachios
- Peanuts
- Washington Apples
- Pink grapefruit
- Fresh vegetables
- Bourbon
- Pet Foods
- Lobster
- Squid
- Whiting
- Surimi
- Fish Eggs
- Sauces
- Ethnic foods

V. Key Contacts for Further Information

American Embassy
Agriculture Section
Serrano, 75
28006 Madrid

Phone: 34 91 564 5275
Fax: 34 91 564 9644
e-mail: agmadrid@fas.usda.gov
http://www.embusa.es

Ministerio de Agricultura, Pesca y Alimentación
(Spanish Department of Agriculture)
Paseo de la Infanta Isabel, 1
28014 Madrid

Phone: 34 91 347 5000
Fax: 34 91

http://www.mapya.es

Ministerio de Economía y Hacienda
(Department of Economy)
Paseo de la Castellana, 162
28071 Madrid

Tel: 34 91 583 7400
Fax: 34 91

http://www.meh.es

Instituto Nacional de Estadistica
(Statistics)
Pº Castellana, 183
28071 Madrid

Tel: 91 583 91 00

e-mail: info@ine.es
http://www.ine.es

Ministerio de Sanidad y Consumo
(Department of Health and Consumption)
Paseo del Prado, 18
28071 Madrid

http://www.msc.es

MERCAMADRID
(Madrid wholesale market)
Ctra. Villaverde-Vallecas, km.3,800
28053 MADRID

Tel: 34 91 785 5013

e-mail: mercamadrid@ibm.net
http://www.mercamadrid.es

Federacion de Industrias de Alimentacion y Bebidas (FIAB)
(Food and beverages industries federation)
Diego de Leon, 44
28006 Madrid

e-mail: fiab@fiab.es
http://www.fiab

Ministerio de Medio Ambiente

(Department of Environment)
Plaza de San Juan de la Cruz, s/n
28003 Madrid

Tel: 34 91 597 6000

http://www.mma.es

Banco de España
(Bank of Spain)
Alcalá, 50
28014 Madrid

http://www.bde.es

Appendix I - Statistics

A. Key Trade & Demographic Information

	Year	**Value**
Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%)	1998	16,871 / 10%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%)	1998	11,810 / 11%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%)	1998	3,516 / 2%
Total Population (Millions) / Annual Growth Rate (%)	1998	39.8 / 0.35%
Urban Population (Millions) / Annual Growth Rate (%)	1998	29.5 / 0.2%
Number of Major Metropolitan Areas	1999	4
Size of the Middle Class (Millions) / Growth Rate (%)	1998	15.7 / n/a
Per Capita Gross Domestic Product (U.S. Dollars)	1999	$15,236
Unemployment Rate (%)	1999	15.4%
Per Capita Food Expenditures (U.S. Dollars)	1998	$1,046
Percent of Female Population Employed	1999	36.3%
Exchange Rate (US$1 = 161.5 pesetas)	11/99	161.5 pts.

Spain Imports (In Millions of Dollars)	**Imports from the World** 1996	1997	1998	**Imports from the U.S.** 1996	1997	1998	**U.S Market Share** 1996	1997	1998
CONSUMER-ORIENTED AGRICULTURAL TOTAL	5,348	5,056	5,278	224	151	171	4	3	3
Snack Foods (Excl. Nuts)	342	336	338	3	1	1	1	0	0
Breakfast Cereals & Pancake Mix	38	33	41	1	1	1	0	0	0
Red Meats, Fresh/Chilled/Frozen	506	502	516	1	2	1	0	0	0
Red Meats, Prepared/Preserved	121	121	117	1	1	1	0	0	0
Poultry Meat	179	164	158	10	3	0	6	2	0
Dairy Products (Excl. Cheese)	615	618	637	1	1	1	0	0	0
Cheese	387	376	386	1	1	1	0	0	0
Eggs & Products	26	24	27	1	1	1	2	3	5
Fresh Fruit	468	430	417	1	1	1	0	0	0
Fresh Vegetables	171	144	230	2	2	3	1	1	1
Processed Fruit & Vegetables	561	519	530	17	13	12	3	2	2
Fruit & Vegetable Juices	95	92	108	1	2	2	0	3	1
Tree Nuts	266	193	198	154	97	113	58	50	57
Wine & Beer	230	183	222	1	2	1	1	1	0
Nursery Products & Cut Flowers	114	114	123	2	2	2	2	1	2
Pet Foods (Dog & Cat Food)	110	106	111	19	18	26	17	17	24
Other Consumer-Oriented Products	1,119	1,099	1,117	13	9	9	1	1	1
FISH & SEAFOOD PRODUCTS	3,086	3,160	3,516	44	66	78	1	2	2
Salmon	96	95	98	3	5	3	4	5	3
Surimi	32	35	37	1	2	4	4	7	12
Crustaceans	842	802	957	11	12	18	1	2	2
Groundfish & Flatfish	747	701	790	4	9	9	1	1	1
Molluscs	547	642	653	5	23	8	1	4	1
Other Fishery Products	822	885	981	19	15	35	2	2	4
AGRICULTURAL PRODUCTS TOTAL	12,401	11,763	11,810	1,406	1,354	1,331	11	12	11
AGRICULTURAL, FISH & FORESTRY TOTAL	16,729	16,299	16,871	1,637	1,642	1,644	10	10	10

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Spain - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

($1,000)	1996	1997	1998
France	1,457,978	1,264,849	1,176,129
Netherlands	700,664	664,638	696,550
Germany	503,855	509,800	561,597
Ireland	84,203	249,618	376,046
Italy	297,516	303,517	348,443
United Kingdom	278,188	240,057	259,404
Belgium	245,006	230,525	255,256
Portugal	208,856	194,540	233,224
Denmark	205,393	203,793	208,832
United States	224,451	150,953	170,989
Brazil	87,360	85,287	89,923
Thailand	123,785	95,971	88,314
Costa Rica	76,624	72,618	70,073
Chile	60,441	47,830	58,041
Turkey	47,776	51,958	55,130
Other	745,737	690,296	629,933
World	5,347,884	5,056,296	5,277,895

FISH & SEAFOOD PRODUCTS IMPORTS 1

($1,000)	1996	1997	1998
France	306,419	297,551	294,843
Argentina	218,111	220,943	289,614
S.Afr.Cus.Un	201,438	203,262	275,303
United Kingdom	262,234	245,299	228,435
Morocco	184,106	207,686	215,362
Netherlands	124,511	117,675	149,717
Ecuador	132,966	126,759	137,691
Denmark	146,302	128,059	137,378
China (Peoples F	28,546	81,569	123,407
Portugal	132,089	146,898	120,784
Italy	104,008	125,808	108,160
Chile	86,124	85,056	88,769
Korea, Republic	40,012	46,746	79,829
United States	43,785	65,712	77,617
Falkland Islands	39,896	44,437	76,291
Other	1,035,482	1,016,526	1,112,493
World	3,086,040	3,160,000	3,515,691

Source: United Nations Statistics Division